

**FISCAL NOTE**  
**HB 2995 - SB 3051**

February 27, 2002

**SUMMARY OF BILL:** Amends TCA, Title 67, Chapter 4, Part 17 relative to the Professional Privilege Tax as follows:

- Imposes the "Occupational Privilege Tax" at the rate of 1% of annual net earnings, provided that only the first \$30,000 of such earning during each tax year are taxable. The maximum tax is capped at \$300 per year and applies to lobbyists, accountants, architects, principal brokers, engineers, landscape architects, audiologists, chiropractors, dentists, optometrists, osteopathic physicians, pharmacists, physicians, podiatrists, psychologists, speech language pathologists, veterinarians, attorneys, and athlete agents.
  - Excludes from this tax any person who is licensed and employed by the United States Government, the State of Tennessee, or any municipal or county government in Tennessee.
  - Under current law, each of the members in these groups listed above pays an annual Professional Privilege Tax in the amount of \$200 annually.
- Imposes the "Occupational Privilege Tax" at the rate of 1% of income, subject to a maximum tax of \$300 per year on members of professional athletic teams.
- Requires that licensed professionals who are required to pay the tax must file a return on forms provided by the Commissioner of Revenue.
- Authorizes the Commissioner of Revenue to promulgate rules and regulations to implement the provisions contained in the bill.
- Continues to impose the Professional Privilege Tax on agents, broker-dealers, and investment advisors at the rate of \$200 annually.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - Net Impact - \$1,670,000**

**Increase State Expenditures - \$301,561 Recurring  
\$675,660 One-Time**

Estimate assumes:

- a net increase in state revenues of \$1,670,000 which is calculated as follows:
  - Increased revenue from 1% tax \$4,360,000
  - Increase revenue 1% tax on athletes 60,000
  - Decreased revenue from allowing certain professionals to prorate income earned in TN for purposes of implementing the tax (320,000)
  - Decrease from exempting gov't professionals (2,430,000)
- an increase in state expenditures of:
  - \$301,561 recurring to implement provisions of the bill
  - \$675,660 one-time in the Department of Revenue resulting from MIS system implementation costs in the Department of Revenue

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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